



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 30, 2012

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
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Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## WASHINGTON, D.C. UPDATE ON THE PREVENTION AND PUBLIC HEALTH FUND

On April 27, 2012, the House passed, 215 to 195, H.R. 4628, the Interest Rate Reduction Act, which would repeal the Prevention and Public Health Fund (PPHF) to pay for a one-year extension of the current subsidized student loan interest rate of 3.4 percent which, otherwise, will double for all new loans on July 1, 2012. As estimated by the Congressional Budget Office, the cost of subsidizing student loans at a 3.4 percent rate for one year would be slightly less than \$6 billion. Repealing the PPHF would rescind \$13.6 billion which already has been appropriated for the PPHF through Federal Fiscal Year (FFY) 2022 and an additional \$2 billion a year after FFY 2022.

The Prevention and Public Health Fund was established under the Affordable Care Act (ACA) of 2010 to finance investments in prevention, wellness, and public health services, and is intended to improve health and help reduce the growth of health care costs. It is not a program, in itself, but, instead, is a mandatory spending account that may be used by the Secretary of Health and Human Services (HHS) or Congressional appropriators to increase funding for prevention, wellness, and public health programs authorized by the Public Health Service Act.

The Department of Public Health (DPH) has received \$14.2 million in PPHF grants, which support chronic disease prevention and public health infrastructure improvements, since its inception in 2010. This includes a \$9.8 million Community Transformation Grant to enhance the County's ability to prevent costly chronic diseases

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and reduce risk factors responsible for the leading causes of death and disability, and \$2.75 million in National Public Health Improvement Initiative funding to help build its public health infrastructure. DPH also has received \$1.6 million in PPHF-funded grants for immunization services, expanded HIV prevention, and laboratory and epidemiology capacity.

Earlier this year, the PPHF was targeted for cuts to help finance the cost of maintaining current Medicare physician payment rates which, otherwise, would have dropped by 27.4 percent. Under H.R. 3630, the Middle Class Tax Relief and Job Creation Act (Public Law 112-96) which was enacted in February 2012, PPHF appropriations were reduced by a combined total of \$6.25 billion in FFYs 2013 through 2021. This included cuts from \$1.25 billion in 2013, \$1.5 billion in 2014, and \$2 billion a year in 2015 and future years to \$1 billion a year through 2017, \$1.25 billion a year in 2018 and 2019, and \$1.5 billion a year in 2020 and 2021.

The Prevention and Public Health Fund is vulnerable to spending cuts under Federal budget rules, because it is a rare mandatory spending account that can be used to fund discretionary programs and activities. Therefore, it not only can be cut to offset increased mandatory spending and/or revenue increases under "pay-go" budget rules, but also can be used to offset discretionary spending. Moreover, PPHF was established under the ACA, which Republicans want to repeal, and previously had been proposed for reduction by the President, including a \$4 billion cut in his proposed FFY 2013 Budget.

The Obama Administration, however, is threatening to veto H.R. 4628 due to its elimination of the PPHF to fund the one-year extension of the reduced student loan interest rate. As an alternative, the Senate Democrats' student loan bill (S. 2343) would end a corporate tax break as the offset to pay for the extension. In short, while both parties support an extension of the reduced student loan interest rate, they are divided on how to pay for the extension -- just as they are divided on other budget issues.

We will continue to keep you advised.

WTF:RA  
MR:MT:lm

\* c: All Department Heads  
Legislative Strategist